TPP: Big Giveaway for Agribusiness, Big Risk for Farmers

The Trans-Pacific Partnership (TPP) primarily benefits the agribusiness and food manufacturing companies that buy, process and ship raw agricultural commodities. The controversial deal poses more risks than benefits for American farmers and ranchers. While agribusiness has promoted the TPP as an export bonanza, farmers will receive only a tiny fraction of any export gains. Instead, the modest agricultural export opportunities for farmers would be outweighed by competition from rising food and farm imports. The surge in often low-priced farm imports would worsen today’s already precarious farm economy, with falling prices, declining income and rising debt burdens.

Agribusiness, the food industry and the White House promote the 12-nation TPP deal as an essential export opportunity for the agricultural sector. But farmers don’t export their crops or livestock any more than consumers buy sacks of corn at the docks. Between America’s farmers and eaters are a handful of giant firms that largely capture the value in farming — and they will capture the export earnings as well.

The TPP cheerleaders ignore the risks to farmers from increased agricultural imports under the trade deal. The North American Free Trade Agreement (NAFTA) created a $40 billion agricultural trade deficit for the United States between 1997 and 2014, meaning that total food and farm imports greatly exceeded the exports.

The TPP will increase farm and food imports as much as or more than exports, individual farmers will receive little of any export gains, and other TPP provisions — including investment, food labeling, procurement and government purchasing rules — could further erode the finances of family farmers and expose consumers to more risky food imports.

Elusive export gains may not arrive

Previous trade deals have not delivered the promised agricultural export boom. Trade deals theoretically reduce the border taxes (tariffs) that farm exports face, which could increase agricultural exports. But previous tariff eliminations from free trade agreements...
with 20 countries, the China trade deal and the creation of the World Trade Organization (WTO) have failed to supercharge U.S. agricultural exports. The agricultural export gains of the 1970s and 1980s languished in the 1990s, when the largest trade deals were inked. Total U.S. agricultural exports remained stubbornly below the earlier boom years for more than a decade after NAFTA and the WTO went into effect (see Figure 1 on page 1).

Although the value of agricultural exports began to climb as crop prices began their ascent after 2007, the volume of many exports failed to increase as projected. For example, the total combined exports of corn, soybeans and wheat have remained steady at about 100 million metric tons for the last 30 years, despite the rash of free trade agreements since the mid-1990s (see Figure 2). And after 2014, the value of agricultural exports began to decline as crop, livestock and milk prices started to slide. Since many agricultural prices are forecast to remain persistently low for the next decade, exports of crops, livestock and milk are projected to decline. The TPP will do little to reverse the falling export trends.

**TPP agricultural export opportunities are overstated**

TPP proponents have exaggerated the opportunities for new agricultural markets for farm exports. The United States already has trade agreements with six of the TPP members — Australia, Canada, Chile, Mexico, Peru and Singapore. The remaining TPP members primarily include smaller economies like Brunei, Malaysia, New Zealand and Vietnam where there is insufficient demand to generate significant export opportunities. The TPP would grant these countries largely unfettered export access to the United States, the largest economy in the world, but would provide negligible new market opportunities for U.S. agricultural products in return.

Agricultural exports to the larger Japanese market will be hindered by long phase-ins of tariff reductions and offsetting policies like subsidies and allowing Japan to restore tariffs on key U.S. products like pork and beef. Japan already has planned to increase government support for its domestic pork industry. Japan has maintained high barriers to imported farm products, but under the TPP these tariffs come down very slowly over many years, and if U.S. pork or beef exports undermine Japanese farm prices, Japan can re-institute tariffs on those products. The TPP also generates only modest opportunities to export dairy products to Japan and Canada, as both countries would reduce key tariffs only over many years and would maintain tight volume limits on imports.

The U.S. International Trade Commission (ITC) predicts that there will be modest or no export gains for key commodity crops. It expects total U.S. rice and soybean exports to decline under the TPP. For example, Japan would allow so little duty-free U.S. rice that it could potentially be supplied by just five or six large farms. The ITC projects that the TPP will have no impact on total U.S. wheat exports and will contribute to a very slight decline in total corn exports.

**Agribusiness and food manufacturers capture the majority of export gains, not farmers**

The modest TPP agricultural export opportunities would largely be captured by shippers, distributors, processors and traders, with farmers and ranchers seeing little if any benefit. Independent farmers do not export their crops and livestock overseas — they sell to meatpackers, grain traders and food processors who, in turn, are the exporters. Farmers and ranchers already sell their products into highly consolidated markets, and these concentrated agricultural buyers can and do drive down the prices that farmers receive.
As a result, any trade export benefits accrue to the companies that process and market agricultural products and only trickle down to the farmers that produce crops and livestock, just like in U.S. supermarkets. China-based Smithfield Foods and Brazil-based JBS will receive most of the upside from any increased pork and beef exports. The farmer’s share of any increased exports is similar to the farmer’s tiny share of the retail food dollar. Hog farmers earn about 20¢ on every pork dollar and cattle producers earn less than 50¢ on every beef dollar.16 For manufactured foods, farmers earn even less. On average, farmers receive less than 16¢ for every grocery dollar — earning only about 7¢ after covering their expenses.17

### TPP food imports undermine U.S. farmers

Trade deals do not just add new export markets — the flow of trade goes both ways — and the U.S. has committed to allowing significantly greater market access to imports under the TPP. Any purported TPP export opportunities must be balanced against the more likely increase in low-priced agricultural imports that would compete against and displace U.S. farm products. The TPP creates more opportunities for transnational food companies to shop around the globe for their raw inputs, and to import them under lower tariffs to compete directly with U.S. farmers. The surge of agricultural imports from prior trade deals — including TPP member countries — already has contributed to declining prices and to the precarious economic viability of independent farms. Imported and often artificially low-priced tomatoes from Mexico, berries from Chile, cut flowers from Colombia, lamb from Australia and garlic from China have all undermined U.S. farmers.18

Already, U.S. agricultural imports are expected to rise to a record $118.5 billion in 2016.19 The increased agricultural import competition under the TPP will likely overshadow export benefits and will drive down the prices that U.S. farmers receive for their crops and livestock. For example, the United States has a large and growing beef trade deficit with TPP members that exceeded 1 billion pounds in 2015. U.S. beef exports to TPP partners have hovered at just over 1 billion pounds a year for the past five years, but TPP beef imports have jumped by 67 percent to 2.3 billion pounds in 2015 (see Figure 3).20

These imports compete with the crops and animals raised by domestic producers and contribute to the pressures driving down the prices that farmers receive. Currently, domestic cattle prices are collapsing, and the added influx of even more beef will make this bad situation even worse.21 The TPP would also bring more dairy powder from New Zealand, processed fruits and vegetables from Vietnam and Malaysia, as well as fresh produce from all the TPP partners. Adding more cheap imports will benefit the grain traders, meatpackers, produce shippers and food processors that buy raw agricultural products, while hurting U.S. farmers and ranchers.

### TPP food imports are produced under weaker environmental, labor and food safety rules

Agribusiness and food processors pursue supplies — wheat, cattle, milk powder, fruits and vegetables — wherever they are cheapest. These farm products often are produced under considerably weaker environmental and labor standards. A 2012 study found that international pesticide standards on commonly imported fruits and vegetables were weaker than U.S. standards for apples, cucumbers,
grapes, melons, bananas and squash for dozens of pesticides—including many with critical health effects.\textsuperscript{22}

This pits farmers around the world against one another, putting a downward pressure on prices worldwide and increasing the likelihood that food safety, environmental protection and fair labor standards will be overlooked. And with more imports, it is harder for border inspectors to make sure that all of the imports are safely produced and safe to eat. The United States already has had significant problems with imported beef from TPP members Australia and Canada.\textsuperscript{23}

Stop the TPP

The TPP will lavish benefits on the largest agribusiness and food companies but will offer modest, if any, export benefits for farmers. Instead, the trade deal will bring a crush of imported food and farm products that will compete with U.S. farmers and lower the prices they receive. Families are unlikely to see lower prices at the grocery store, as the companies will pocket any savings they reap from shifting to cheaper imports. Instead, more and more unsafe imported foods will overwhelm U.S. safety inspectors and enter grocery stores and restaurants.

Other TPP provisions could further harm farmers and consumers. The U.S. law requiring country of origin labels on meat was repealed because a foreign trade tribunal ruled that this common-sense labeling rule was an illegal trade barrier. TPP investment rules could make rules regulating farmland sales to agribusiness and foreign food companies illegal trade barriers. And ongoing TPP negotiations over government purchasing could erode efforts to promote local agriculture through buy-local procurement rules for schools, hospitals and other public facilities.

Congress is expected to vote on the TPP in 2016. Ask your Representative and Senators to oppose the TPP. To take action, visit: http://fwwat.ch/1YkwsKz

Endnotes

6 USDA FAS GATS database.
8 World Bank. World Economic Indicators Database. April 11, 2016.
9 Trans-Pacific Partnership (TPP). Chapter 2. Annex 2-D. Japan Tariff Elimination Schedule and Japan Appendix B-1 at Sec. A paras. 3 and 10, Sec. B and Sec. C.
11 TPP. Chapter 2. Annex 2-D. Japan Appendix B-1 at Sec. A paras. 3 and 10, Sec. B and Sec. C.
13 USITC (2016) at 126 and 182 at footnote 295.
15 USITC (2016) at 126.
19 Johansson (2016) at 3.
20 USDA FAS GATS database.